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MIAMI

Miami records in disarray, auditors find

An external audit has found that Miami's finances were riddled with inaccuracies and that the city lacked proper financial safeguards.

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In a recently completed outside audit of Miami's finances, the city's records proved so poor that city workers had trouble accurately accounting for bills that needed paying, money that needed collecting and other basic fiscal functions.

The audit, written by the locally based Rachlin Cohen & Holtz accounting firm and covering the 2006 fiscal year, also criticized city administrators for overspending their budget by nearly \$35 million during the Hurricane Wilma cleanup -- which put the city out of compliance with state law, the audit says.

Miami administrators said the findings are not as bad as they seem, and that many of the errors the audit documents were one-time mistakes caused by the city's switch to a new computer accounting program.

"The city had very outdated systems that allowed these types of things to happen," Miami Mayor Manny Diaz said. The audit, he said, "vindicates what we've been trying to do."

Regarding the Wilma expenses -- largely related to debris cleanup -- Assistant Fire Chief Joe Fernandez said accounting for such items is "a moving target" because financial conditions keep changing long after a storm, including: how much the federal government, the state and private insurers will pay.

Three accounting experts reviewed Miami's audit at the request of The Miami Herald, and while they disagreed on its severity, all said it included areas of concern.

All three found problems that can't be explained by a computer system upgrade.

Stuart Pinnock, a Florida International University adjunct professor of accounting, said, "I don't think I've read an audit that bad before."

Among the problems he cited: the spending of grant money earmarked for homeland security efforts. The audit found Miami paid three homeland security invoices twice, resulting in what the audit called "questioned costs" of \$341,419.

The city then asked the state to reimburse the money and got it.

The audit recommended paying pay back the state and trying to recoup the money it mistakenly paid out. "Internal controls are not in place to provide for the prevention of duplicate payments," the audit states.

City leaders -- as well as the Florida Division of Emergency Management -- on Friday could not immediately provide a detailed accounting of how the \$341,419 was spent.

The audit also found that Miami had not kept track of the infrastructure projects city consultants are being paid to work on, and was millions of dollars off in its bookkeeping in various areas.

The audit said "numerous" accounting errors had to be fixed -- 131 in all.

Miami's financial stewards said that while the external auditors did criticize the city, they also gave an "unqualified" opinion on the accuracy of the financial information Miami sends to Wall Street -- in other words, the auditors said that information is fundamentally sound.

"It's a clean bill of health on the city's financials," Miami Finance Director Diana Gomez said.

Mark Fostier, president of the Florida Government Finance Officers Association, was less upbeat.

"I would not call that an A-plus audit," Fostier said. "I'm not sure I would call it scathing. It definitely has some issues that the city needs to address."

William Hillison, a longtime accounting professor at Florida State University who has done training sessions for the state's auditor general, offered this description: "less than satisfactory."

"You would expect to see better," he said. "I would expect to see better."

Some Miami commissioners hadn't seen the audit until it was provided to them by the Miami Herald.

The audit was not discussed at a commission meeting last week, even though it was listed on the agenda. Though the audit is dated June 22, Gomez said she didn't receive a copy until five days before the commission meeting. Time constraints, not a desire to conceal the document, kept it from being publicly discussed last week, she said.

"They actually have to proof it and publish it and all of that," Gomez said of the auditors. "It was not enough time to get it, brief the commissioners or prepare."

Another reason the audit wasn't discussed, said Chief Financial Officer Larry Spring: The outside auditor involved was not available to address commissioners. Some commissioners complained of being inadequately informed.

"We should have had the opportunity to have been walked through the audit," Commissioner Marc Sarnoff said. "We should have had the opportunity to ask questions of the chief financial officer."

Commissioner Tomás Regalado said he left that meeting thinking Miami's finances "were in a perfect state."

"And that seems not to be the case," he added. "Protocol wasn't followed, things were not done, questions are raised. It's very troubling."

The auditing firm, paid \$390,000 by Miami this year, the last year of a three-year, nearly \$1.2 million contract, declined to comment for this story.